

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

# **Village of Howard City**

**Montcalm County, Michigan**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended February 28, 2005**

# Village of Howard City

Montcalm County, Michigan

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February 28, 2005

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# Village of Howard City

Montcalm County, Michigan

## Contents

February 28, 2005

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

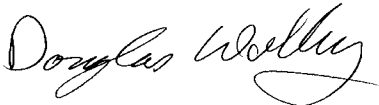
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Village of Howard City as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Howard City management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Village of Howard City as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Howard City basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan  
July 1, 2005

# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2005

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The 54% decrease in program expenses in general government is a result of the Renaissance Zone construction.

### The Village as a Whole

The Village's combined net assets increased 31% from a year ago, increasing from \$2,164,350 to \$2,834,923. This increase is a direct result of the purchase of a new fire truck, the addition of the Renaissance Zone Bond and the addition of \$869,780 of existing infrastructure assets that were not recorded last year.

These investments have proven to be valuable for the following reasons: 1) The purchase of the fire truck has allowed the Village to keep its I.S.O. rating at a level 6 yielding lower insurance rates for the Village's fire protection area, and 2) The Renaissance Zone has created approximately 150 new jobs and has the infrastructure in place for additional business growth.

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$422,627 for the governmental activities. This represents an increase approximately 76%. The current level of unrestricted net assets for our governmental activities stands at \$(137,100), or about (12)% of expenses. This is within the targeted range set by the Village Council during its last budget process.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current assets	\$ 203,529	\$ 240,038	\$ 217,133	\$ 230,969	\$ 420,662	\$ 471,007
Noncurrent assets	1,461,387	339,230	2,296,461	2,384,847	3,757,848	2,724,077
Total assets	1,664,916	579,268	2,513,594	2,615,816	4,178,510	3,195,084
Long-term debt outstanding	593,727	190,662	715,000	769,000	1,308,727	959,662
Other liabilities	15,728	47,595	19,132	23,477	34,860	71,072
Total liabilities	609,455	238,257	734,132	792,477	1,343,587	1,030,734
Net assets						
Invested in capital assets - net of debt	1,390,562	339,230	1,581,461	2,384,847	2,972,023	2,724,077
Unrestricted	(335,101)	1,781	198,001	(561,508)	(137,100)	(559,727)
Total net assets	\$ 1,055,461	\$ 341,011	\$ 1,779,462	\$ 1,823,339	\$ 2,834,923	\$ 2,164,350

# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2005

	Governmental Activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2005
<b>Program revenues</b>						
Charges for services	\$ 170,701	\$ 195,352	\$ 286,715	\$ 284,369	\$ 457,416	\$ 479,721
Operating grants and contributions	476,193	414,789	-	-	476,193	414,789
<b>General revenue</b>						
Property tax	245,811	232,991	-	-	245,811	232,991
State shared revenue	138,533	146,407	-	-	138,533	146,407
Unrestricted investment income	1,216	855	775	979	1,991	1,834
Miscellaneous	47,887	24,367	-	-	47,887	24,367
Interfund transfers	(11,463)	2,400	11,463	(2,400)	-	-
<b>Total revenues</b>	<b>1,068,878</b>	<b>1,017,161</b>	<b>298,953</b>	<b>282,948</b>	<b>1,367,831</b>	<b>1,300,109</b>
<b>Program expenses</b>						
General government	201,400	373,631	-	-	201,400	373,631
Public safety	265,759	258,347	-	-	265,759	258,347
Public works	307,941	318,809	-	-	307,941	318,809
Recreation and culture	9,517	20,360	-	-	9,517	9,517
Sewer Fund	-	-	223,951	188,541	223,951	188,541
Water Fund	-	-	118,880	131,315	118,880	131,315
Interest on long-term debt	17,901	32,516	-	-	17,901	32,516
<b>Total expenses</b>	<b>802,518</b>	<b>1,003,663</b>	<b>342,831</b>	<b>319,856</b>	<b>1,145,349</b>	<b>1,312,676</b>
<b>Change in net assets</b>	<b>\$ 266,360</b>	<b>\$ 13,498</b>	<b>(43,878)\$</b>	<b>(36,908)\$</b>	<b>222,482 \$</b>	<b>(12,567)</b>

# Village of Howard City

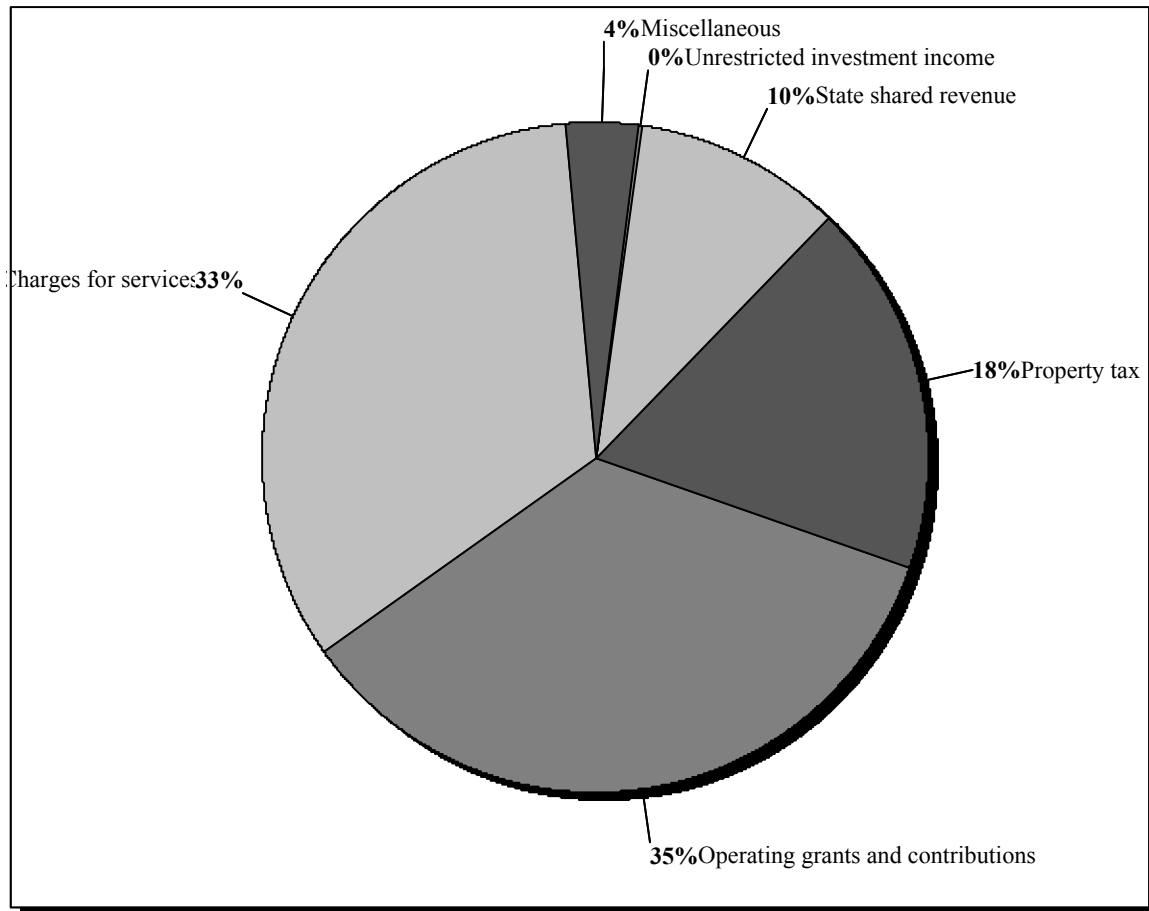
Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2005

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The following chart illustrates the sources of the Village's revenue.





# Village of Howard City

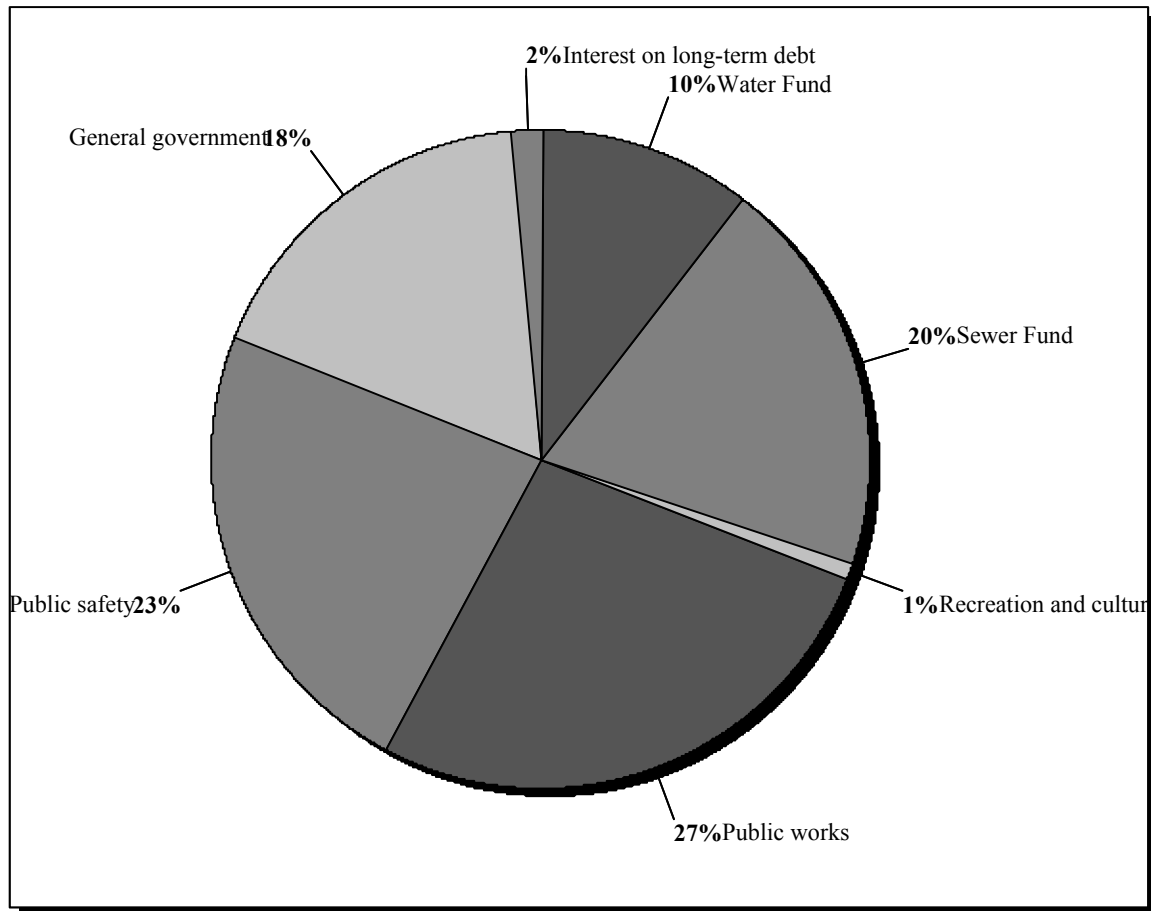
Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2005

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The following chart illustrates the Village's expenses.



# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2005

### The Village's Funds

Our presentation of the Village's major funds begins on page 14, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2005 were the General Fund and the Major Streets Special Revenue Fund.

### The General Fund Budget

Total revenue and expenditures of the General Fund increased over last year because the Village purchased a fire truck that was financed by a grant from the Department of Homeland Security. This grant was approved during the fiscal year ending in 2005 and was not included in the original budget causing the budget amount to be increased mid-year.

### Capital Asset and Debt Administration

At the end of 2005, the Village had \$3,757,848, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment and water and sewer lines.

The following table shows the Village's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Land	\$ -	\$ -	\$ 34,300	\$ 34,300	\$ 34,300	\$ 34,300
Buildings and improvements	93,000	96,000	-	-	93,000	96,000
Equipment	509,039	243,230	670	838	509,709	244,068
Infrastructure	859,348	869,780	2,261,491	2,349,710	3,120,839	3,219,490
Total net assets	\$ 1,461,387	\$ 1,209,010	\$ 2,296,461	\$ 2,384,848	\$ 3,757,848	\$ 3,593,858

# **Village of Howard City**

**Montcalm County, Michigan**

**Management Discussion and Analysis**

**For the year ended February 28, 2005**

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## **Economic Factors and Next Year's Budgets and Rates**

The Village Council has approved to issue a bond up to \$500,000 to leverage additional grant funding to improve the road infrastructure within the Village.

The Village has applied for a Transportation Enhancement Grant to undergo a streetscape project in the Downtown which includes water, sewer and street improvements. This could result in the issuance of a bond in the amount of \$800,000 to complete the improvements.

The Village Council has approved an expenditure of approximately \$30,000 in matching funds for an existing Transportation Enhancement Grant to construct a staging area along the White Pine Trail.

Due to the rapid growth of residential and commercial sewer customers, the wastewater treatment facility is nearing 90% capacity. This will require additional investment in the sewer infrastructure in the near future.

## **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's Manager at the Howard City Village Hall, 125 Shaw Street, Howard City, Michigan, 49329. The Village's phone number is (231) 937-4311.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Village of Howard City

Montcalm County, Michigan

## Statement of Net Assets

For the year ended February 28, 2005

	Governmental activities	Business type activities	Total	Component unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 203,529	\$ 176,889	\$ 380,418	\$ 47,852
Receivables (net)	-	40,244	40,244	-
Capital assets (net)	1,461,387	2,296,461	3,757,848	-
<b>TOTAL ASSETS</b>	<b>\$ 1,664,916</b>	<b>\$ 2,513,594</b>	<b>\$ 4,178,510</b>	<b>\$ 47,852</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,618	\$ -	\$ 5,618	\$ -
Accrued and other liabilities	10,110	16,689	26,799	-
Deferred revenue	-	2,443	2,443	-
Due within one year	53,766	59,000	112,766	-
Due in more than one year	539,961	656,000	1,195,961	-
<b>TOTAL LIABILITIES</b>	<b>609,455</b>	<b>734,132</b>	<b>1,343,587</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets	1,390,562	1,581,461	2,972,023	-
Unrestricted	(335,101)	198,001	(137,100)	47,852
<b>TOTAL NET ASSETS</b>	<b>1,055,461</b>	<b>1,779,462</b>	<b>2,834,923</b>	<b>47,852</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,664,916</b>	<b>\$ 2,513,594</b>	<b>\$ 4,178,510</b>	<b>\$ 47,852</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

## Statement of Activities

For the year ended February 28, 2005

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<b><u>PRIMARY GOVERNMENT EXPENSES</u></b>			
General government	\$ 201,400	\$ 2,678	\$ -
Public safety	265,759	96,977	306,972
Public works	307,941	70,196	169,221
Recreation and culture	9,517	850	-
Interest on long-term debt	17,901	-	-
<b>Total Governmental activities</b>	<b>802,518</b>	<b>170,701</b>	<b>476,193</b>
<b><u>BUSINESS TYPE EXPENSES</u></b>			
Sewer	223,951	155,401	-
Water	118,880	131,314	-
<b>Total Business type activities</b>	<b>342,831</b>	<b>286,715</b>	<b>-</b>
<b>Total Primary government</b>	<b>1,145,349</b>	<b>457,416</b>	<b>476,193</b>
<b><u>COMPONENT UNIT EXPENSES</u></b>			
Downtown Development Authority	\$ 24,509	\$ -	\$ -

### General Revenues

Property taxes

State-shared revenue

Unrestricted investment income

Miscellaneous

Transfers

**Total general revenues - special items and transfers**

**Change in net assets**

**Net assets at beginning of year**

**Net assets at end of year**

The Notes to the Financial Statements are an integral part of this statement.

Governmental activities	Business-type activities	Total	Component unit
\$ (198,722)	\$	\$ (198,722)	\$
138,190		138,190	
(68,524)		(68,524)	
(8,667)		(8,667)	
(17,901)		(17,901)	
(155,624)		(155,624)	
	(68,550)	(68,550)	
	12,434	12,434	
	(56,116)	(56,116)	
(155,624)	(56,116)	(211,740)	
		\$	(24,509)
245,811	-	245,811	28,185
138,533	-	138,533	-
1,216	775	1,991	90
47,887	-	47,887	155
(11,463)	11,463	-	-
421,984	12,238	434,222	28,430
266,360	(43,878)	222,482	3,921
789,101	1,823,340	2,612,441	43,931
\$ 1,055,461	\$ 1,779,462	\$ 2,834,923	\$ 47,852

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Governmental Funds

Balance Sheet

February 28, 2005

	General Fund		Major Streets Fund		Nonmajor Funds		Total
<b>ASSETS</b>							
Cash	\$	88,563	\$	19,794	\$	61,124	\$ 169,481
Due from other funds		78		-		-	78
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>88,641</b>	<b>\$</b>	<b>19,794</b>	<b>\$</b>	<b>61,124</b>	<b>\$ 169,559</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$	5,618	\$	-	\$	-	\$ 5,618
Due to other funds		-		-		78	78
Accrued wages payable		3,776		-		-	3,776
Payroll deductions payable		917		-		-	917
<b>TOTAL LIABILITIES</b>		<b>10,311</b>		<b>-</b>		<b>78</b>	<b>10,389</b>
<b>FUND BALANCES</b>							
Reserved for							
Debt service		-		-		9,336	9,336
Streets		-		19,794		51,600	71,394
Capital projects		-		-		110	110
Unreserved		78,330		-		-	78,330
<b>TOTAL FUND BALANCES</b>		<b>78,330</b>		<b>19,794</b>		<b>61,046</b>	<b>159,170</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$</b>	<b>88,641</b>	<b>\$</b>	<b>19,794</b>	<b>\$</b>	<b>61,124</b>	<b>\$ 169,559</b>

The Notes to the Financial Statements are an intergral part of this statement.



# Montcalm County, Michigan

## Montcalm County, Michigan

### Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended February 28, 2005

Total fund balances - total governmental funds	\$	159,170
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	1,686,600
Accumulated depreciation	(331,534)
Net capital assets	1,355,066

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at February 28, 2005 were:

Bonds payable	(42,000)
Installment purchase contracts payable	(67,550)
Industrial Park Loan	(439,362)
Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	90,137
Net assets of governmental activities	\$ 1,055,461

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Governmental Funds

## Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended February 28, 2005

	General Fund	Major Streets Fund		Nonmajor Funds	Total
<b>REVENUE</b>					
Property taxes	\$ 194,622	\$ -	\$ -	\$ -	\$ 194,622
Federal grants	304,580	-	-	-	304,580
State grants	140,248	114,965	-	118,824	374,037
Licenses and permits	950	-	-	-	950
Fines and forfeits	1,089	-	-	-	1,089
Charges for services	113,946	-	-	-	113,946
Interest and rentals	3,479	95	-	165	3,739
Other revenue	17,106	-	-	-	17,106
<b>TOTAL REVENUE</b>	<b>776,020</b>	<b>115,060</b>	<b>-</b>	<b>118,989</b>	<b>1,010,069</b>
<b>EXPENDITURES</b>					
General government	115,337	-	-	-	115,337
Public safety	547,893	-	-	-	547,893
Public works	32,423	78,722	-	141,148	252,293
Recreation and culture	12,886	-	-	-	12,886
Other	38,141	-	-	-	38,141
Debt service	-	-	-	14,751	14,751
<b>TOTAL EXPENDITURES</b>	<b>746,680</b>	<b>78,722</b>	<b>-</b>	<b>155,899</b>	<b>981,301</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>29,340</b>	<b>36,338</b>	<b>-</b>	<b>(36,910)</b>	<b>28,768</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	18,372	-	-	73,486	91,858
Transfers out	(36,053)	(22,368)	-	(39,401)	(97,822)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(17,681)</b>	<b>(22,368)</b>	<b>-</b>	<b>34,085</b>	<b>(5,964)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,659</b>	<b>13,970</b>	<b>-</b>	<b>(2,825)</b>	<b>22,804</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>66,671</b>	<b>5,824</b>	<b>-</b>	<b>63,871</b>	<b>136,366</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 78,330</b>	<b>\$ 19,794</b>	<b>\$ -</b>	<b>\$ 61,046</b>	<b>\$ 159,170</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 28, 2005

Net change in fund balances - total governmental funds	\$	22,804
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		323,594
An internal service fund is used by management to charge the cost of certain equipment to individual funds		(19,475)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		23,578
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(66,470)
Accrued absences		(17,671)
Change in net assets of government activities	\$	266,360

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Net Assets

February 28, 2005

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b>ASSETS</b>				
Current assets				
Cash	\$ 37,707	\$ 63,032	\$ 100,739	\$ 34,048
Accounts receivable	23,429	16,815	40,244	-
<b>Total current assets</b>	<b>61,136</b>	<b>79,847</b>	<b>140,983</b>	<b>34,048</b>
Noncurrent assets				
Restricted cash	63,277	12,873	76,150	-
Capital assets	1,763,004	533,457	2,296,461	106,321
<b>Total Noncurrent assets</b>	<b>1,826,281</b>	<b>546,330</b>	<b>2,372,611</b>	<b>106,321</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,887,417</b>	<b>\$ 626,177</b>	<b>\$ 2,513,594</b>	<b>\$ 140,369</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Payroll deductions payable	\$ -	\$ -	\$ -	\$ 5,417
Accrued interest payable	10,121	325	10,446	-
Customers deposits payable	58	6,185	6,243	-
Deferred revenue	2,443	-	2,443	-
<b>Total current liabilities</b>	<b>12,622</b>	<b>6,510</b>	<b>19,132</b>	<b>5,417</b>
Long-term debt				
Bonds payable	640,000	75,000	715,000	-
Notes payable	-	-	-	44,815
<b>Total noncurrent liabilities</b>	<b>640,000</b>	<b>75,000</b>	<b>715,000</b>	<b>44,815</b>
<b>TOTAL LIABILITIES</b>	<b>652,622</b>	<b>81,510</b>	<b>734,132</b>	<b>50,232</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	1,123,004	458,457	1,581,461	66,815
Undesignated	111,791	86,210	198,001	23,322
<b>TOTAL NET ASSETS</b>	<b>1,234,795</b>	<b>544,667</b>	<b>1,779,462</b>	<b>90,137</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,887,417</b>	<b>\$ 626,177</b>	<b>\$ 2,513,594</b>	<b>\$ 140,369</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

## Proprietary Funds

### Statement of Revenue, Expenses and Changes in Net Assets

For the year ended February 28, 2005

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b><u>OPERATING REVENUE</u></b>				
Sales	\$ 155,401	\$ 130,935	\$ 286,336	\$ 70,197
Other	-	379	379	-
<b>TOTAL OPERATING REVENUE</b>	<b>155,401</b>	<b>131,314</b>	<b>286,715</b>	<b>70,197</b>
<b><u>OPERATING EXPENSES</u></b>				
Personal services	70,099	53,150	123,249	19,395
Contractual services	19,923	19,608	39,531	14,991
Utilities	16,057	12,568	28,625	10,060
Repairs and maintenance	7,187	2,831	10,018	6,302
Rent	8,343	7,718	16,061	-
Other	118	996	1,114	5,178
Depreciation	71,916	16,471	88,387	25,172
<b>TOTAL OPERATING EXPENSES</b>	<b>193,643</b>	<b>113,342</b>	<b>306,985</b>	<b>81,098</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(38,242)</b>	<b>17,972</b>	<b>(20,270)</b>	<b>(10,901)</b>
<b><u>NONOPERATING REVENUE (EXPENSES)</u></b>				
Interest and dividends	672	103	775	77
Interest expense	(30,308)	(5,538)	(35,846)	(3,150)
Transfers in	13,663	-	13,663	-
Transfers out	(1,100)	(1,100)	(2,200)	(5,500)
<b>TOTAL NONOPERATING REVENUES (EXPENSE)</b>	<b>(17,073)</b>	<b>(6,535)</b>	<b>(23,608)</b>	<b>(8,573)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(55,315)</b>	<b>11,437</b>	<b>(43,878)</b>	<b>(19,474)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(55,315)</b>	<b>11,437</b>	<b>(43,878)</b>	<b>(19,474)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,290,110</b>	<b>533,230</b>	<b>1,823,340</b>	<b>109,611</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,234,795</b>	<b>\$ 544,667</b>	<b>\$ 1,779,462</b>	<b>\$ 90,137</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended February 28, 2005

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 154,191	\$ 130,541	\$ 284,732	\$ 82,019
Payments to suppliers	(51,628)	(50,147)	(101,775)	(37,203)
Payments to employees	(70,099)	(53,150)	(123,249)	(19,395)
Internal activity - payments to other funds	-	(330)	(330)	-
Other receipts (Payments)	2,443	-	2,443	-
Due from other funds	(132)	-	(132)	-
<b>Net cash provided (used) by operating activities</b>	<b>34,775</b>	<b>26,914</b>	<b>61,689</b>	<b>25,421</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Operating subsidies and transfers to other funds	12,563	(1,100)	11,463	(5,500)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Purchase of capital assets	-	-	-	(20,425)
Principal and interest paid on capital debt	(72,116)	(18,092)	(90,208)	(15,869)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(72,116)</b>	<b>(18,092)</b>	<b>(90,208)</b>	<b>(36,294)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest and dividends	672	103	775	77
<b>Net cash provided by investing activities</b>	<b>672</b>	<b>103</b>	<b>775</b>	<b>77</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(24,106)</b>	<b>7,825</b>	<b>(16,281)</b>	<b>(16,296)</b>
<b>Balances - beginning of year</b>	<b>125,090</b>	<b>68,080</b>	<b>193,170</b>	<b>50,344</b>
<b>Balances - end of year</b>	<b>\$ 100,984</b>	<b>\$ 75,905</b>	<b>\$ 176,889</b>	<b>\$ 34,048</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>				
Operating income (loss)	\$ (38,242)	\$ 17,972	\$ (20,270)	\$ (10,901)
Provided (used) by operating activities				
Depreciation expense	71,916	16,471	88,387	25,172
Receivables - net	(1,210)	(773)	(1,983)	11,822
Accounts and other payables	(132)	(6,756)	(6,888)	(672)
Deferred revenue	2,443	-	2,443	-
<b>Net cash provided by operating activities</b>	<b>\$ 34,775</b>	<b>\$ 26,914</b>	<b>\$ 61,689</b>	<b>\$ 25,421</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended February 28, 2005

<u>Agency Fund Type</u>		
<u>ASSETS</u>		
Cash	\$	2,341
<u>LIABILITIES AND FUND BALANCE</u>		
Payroll withholdings payable	\$	2,341

The Notes to the Financial Statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

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# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Village of Howard City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Howard City:

#### **A. Reporting Entity**

The Village of Howard City was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law Village. The Village operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Village of Howard City's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Village of Howard City as of the preceding December 31st.

Although Village of Howard City's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Village of Howard City's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of Village of Howard City totaled \$21,424,805, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	9.1502 \$	196,041
Highway	3.2599 \$	69,843

These amounts are recognized in the General Fund financial statements as taxes receivable-current.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the Village.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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**Inventories and Prepaid Items**--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)**--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All unused vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

**Long-Term Obligations**--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**--Comparative total data for the prior year have been presented only for individual governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# **Village of Howard City**

**Montcalm County, Michigan**

**Notes to Basic Financial Statements**

**For the year ended February 28, 2005**

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## **NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**The Village Administration submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.**

**The operating budget includes proposed expenditures and the means of financing them.**

**A public hearing is conducted at the Village hall to obtain taxpayer comments.**

**The budget is legally adopted by ordinance before March 1.**

**All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.**

**The Village adopts budgets for the General Fund and the Special Revenue Funds.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Village Council.**

**The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Special Revenue funds.**

**The Village Manager is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Village Council.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.**

**Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.**

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes Village of Howard City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village of Howard City Council has designated two banks for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and Certificate of Deposits, but not the remainder of State statutory authority as listed above.

The Village of Howard City's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental activities	Business-Type activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 169,481	\$ 176,889	\$ 2,341	\$ 348,711	\$ 47,853

The bank balance of the Village's deposits is \$445,642, of which \$197,086 is covered by federal depository insurance and \$248,556 is uninsured and uncollateralized.

# Village of Howard City

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended February 28, 2005

## **NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Balance March 1, 2004</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance February 28, 2005</b>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 120,000	\$	\$	120,000
Equipment	311,206	310,401		621,607
Internal service fund equipment	365,023	20,425		385,448
Infrastructure	931,800	13,193		944,993
<b>Subtotal</b>	<b>1,728,029</b>	<b>344,019</b>		<b>2,072,048</b>
<b>Accumulated depreciation:</b>				
Buildings	24,000	3,000		27,000
Equipment	179,044	39,845		218,889
Internal service fund equipment	253,955	25,172		279,127
Infrastructure	62,020	23,625		85,645
<b>Subtotal</b>	<b>519,019</b>	<b>91,642</b>		<b>610,661</b>
<b>Net capital assets being depreciated</b>	<b>1,209,010</b>	<b>252,377</b>		<b>1,461,387</b>
<b>Net capital assets</b>	<b>\$ 1,209,010</b>	<b>\$ 252,377</b>	<b>\$</b>	<b>\$ 1,461,387</b>

<b>Business-Type Activities</b>	<b>Balance March 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance February 28, 2005</b>
<b>Assets not being depreciated</b>	<b>\$ 34,300</b>	<b>\$</b>	<b>\$</b>	<b>34,300</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	3,592,428			3,592,428
Machinery and equipment	14,412			14,412
<b>Subtotal</b>	<b>3,606,840</b>			<b>3,606,840</b>
<b>Accumulated depreciation:</b>				
Buildings and improvements	1,242,718	88,219		1,330,937
Machinery and equipment	13,574	168		13,742
<b>Subtotal</b>	<b>1,256,292</b>	<b>88,387</b>		<b>1,344,679</b>
<b>Net capital assets being depreciated</b>	<b>2,350,548</b>	<b>(88,387)</b>		<b>2,262,161</b>
<b>Net capital assets</b>	<b>\$ 2,384,848</b>	<b>\$ (88,387)</b>	<b>\$</b>	<b>\$ 2,296,461</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities:**

General government	\$	3,000
Public safety		39,845
<b>Total governmental activities</b>	<b>\$</b>	<b>42,845</b>

**Business-Type activities:**

Sewer	\$	71,916
Water		16,471
<b>Total Business-Type activities</b>	<b>\$</b>	<b>88,387</b>

## **NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of the interfund balances as of February 28, 2005, is as follows:

Receivable fund	Payable fund	Amount
General Fund	Renaissance Zone Grant Fund	\$ 78

### Interfund Transfers

Transfers In	Transfers Out							Total
	General Fund	Major Streets Fund	Local Streets	Equipment Fund	Sewer Fund	Water Fund	Revolving Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,372	\$ 18,372
Street Bond Fund	-	7,368	7,365	-	-	-	-	14,733
Local Streets Fund	-	15,000	-	-	-	-	-	15,000
Revolving Fund	36,053	-	-	5,500	1,100	1,100	-	43,753
Sewer Fund	-	-	-	-	-	-	13,663	13,663
<b>Total</b>	<b>\$ 36,053</b>	<b>\$ 22,368</b>	<b>\$ 7,365</b>	<b>\$ 5,500</b>	<b>\$ 1,100</b>	<b>\$ 1,100</b>	<b>\$ 32,035</b>	<b>\$ 105,521</b>



# Village of Howard City

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended February 28, 2005

## **NOTE 6 - LONG-TERM DEBT**

Bond and contractual obligation activity can be summarized as follows:

	Balance March 1, 2004	Additions	Reductions	Balance February 28, 2005	Due within one year
<b>Governmental activities</b>					
General obligation bonds					
1997 Michigan Transportation Bonds	\$ 54,000	\$ -	\$ 12,000	\$ 42,000	\$ 13,000
Installment purchase agreements					
Fire truck purchase contract	79,128	-	11,578	67,550	12,179
Loans					
Renaissance Zone Loan through Michigan Strategic Fund	-	439,362	-	439,362	15,416
<b>Total Governmental activities</b>	<b>133,128</b>	<b>439,362</b>	<b>23,578</b>	<b>548,912</b>	<b>40,595</b>
<b>Internal service fund</b>					
Backhoe installment purchase contract	57,534	-	12,719	44,815	13,171
<b>Business type activities</b>					
Revenue bonds					
1996 Sewer Bonds	63,000	-	21,000	42,000	21,000
1984 Sewer bonds	531,000	-	8,000	523,000	8,000
1997 Water and Sewer bonds	175,000	-	25,000	150,000	30,000
<b>Total Business type activities</b>	<b>\$ 769,000</b>	<b>\$ -</b>	<b>\$ 54,000</b>	<b>\$ 715,000</b>	<b>\$ 59,000</b>
<b>Total Long-Term Debt</b>	<b>\$ 959,662</b>	<b>\$ 439,362</b>	<b>\$ 90,297</b>	<b>\$ 1,308,727</b>	<b>\$ 112,766</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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Annual debt service requirements to maturity for the above obligation follows:

December 31,		Principal		Interest		Total
2006	\$	112,766	\$	39,106	\$	151,872
2007		130,283		34,464		164,747
2008		112,432		29,680		142,112
2009		87,886		26,169		114,055
2010		85,742		23,349		109,091
2011		40,832		21,330		62,162
2012		41,832		20,858		62,690
2013		41,832		20,362		62,194
2014		42,832		19,845		62,677
2015		42,832		19,305		62,137
2016		43,832		18,742		62,574
2017		44,832		18,135		62,967
2018		44,832		17,505		62,337
2019		45,832		16,853		62,685
2020		39,130		16,155		55,285
2021		16,000		15,435		31,435
2022		18,000		14,670		32,670
2023		18,000		13,860		31,860
2024		19,000		13,028		32,028
2025		20,000		12,150		32,150
2026		21,000		11,227		32,227
2027		22,000		10,260		32,260
2028		23,000		9,248		32,248
2029		25,000		8,167		33,167
2030		25,000		7,042		32,042
2031		27,000		5,873		32,873
2032		28,000		4,635		32,635
2033		30,000		3,330		33,330
2034		31,000		1,958		32,958
2035		28,000		630		28,630
Totals	\$	1,308,727	\$	473,371	\$	1,782,098

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

### **NOTE 7 - SEGMENT INFORMATION**

The Village operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

#### Condensed Statement of Net Assets

	Sewer Fund	Water Fund
<b>Assets</b>		
Current assets	\$ 61,136	\$ 79,847
Restricted assets	63,277	12,873
Capital assets	1,763,004	533,457
<b>Total Assets</b>	<b>1,887,417</b>	<b>626,177</b>
<b>Liabilities</b>		
Current liabilities	12,622	6,510
Noncurrent liabilities	640,000	75,000
<b>Total Liabilities</b>	<b>652,622</b>	<b>81,510</b>
<b>Net Assets</b>		
Invested in capital assets	1,123,004	458,457
Unrestricted	111,791	86,210
<b>Total Net Assets</b>	<b>\$ 1,234,795</b>	<b>\$ 544,667</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Sewer Charges	\$ 155,401	\$ 131,314
Depreciation	(71,916)	(16,471)
Other operating expenses	(121,727)	(96,871)
Operating income	(38,242)	17,972
Nonoperating revenue (expense)		
Investment earnings	672	103
Interest expense	(30,308)	(5,538)
Transfers in	13,663	-
Transfers out	(1,100)	(1,100)
Total nonoperating revenue and expenses	(17,073)	(6,535)
Changes in net assets	(55,315)	11,437
Beginning net assets	1,290,110	533,230
Ending net assets	\$ 1,234,795	\$ 544,667

### Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 34,775	\$ 26,914
Noncapital financing activities	12,563	(1,100)
Capital and related financing activities	(72,116)	(18,092)
Investing activities	672	103
Net increase (decrease) in cash	(24,106)	7,825
Beginning cash and cash equivalents	125,090	68,080
Ending cash and cash equivalents	\$ 100,984	\$ 75,905

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

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### **NOTE 8 - RESTRICTED ASSETS**

The balances of the restricted asset accounts in the enterprise funds are as follows:

<u>Revenue bond restrictions</u>	<u>\$</u>	<u>40,244</u>
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### **NOTE 9 - RISK MANAGEMENT**

Village of Howard City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village of Howard City obtains commercial insurance coverage through the **Michigan Municipal League** for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

The Village has no post-retirement benefit plans at this time other than its pension plan.

# Village of Howard City

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended February 28, 2005

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

#### Defined Benefit Pension Plan

**Plan Description**--Village of Howard City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of Village of Howard City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**--The obligation to contribute to and maintain the system for these employees requires a contribution of 2.5 percent from all employees.

**Annual Pension Costs** --For year ended 2005, the Village of Howard City's annual pension cost of \$32,752 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal method. Significant actuarial assumptions used include: (i) an 8.00 percent investment rate of return; (ii) projected salary increases of 4.50 percent per year; and (iii) 0.00 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2004 follows:

	2004	2003	2002
Annual pension cost	\$ 32,752	\$ 32,088	\$ 23,184
Percentage of APC Contributed	100 %	100 %	100 %
Actuarial value of assets	\$ 738,285	\$ 712,164	\$ 692,220
Actuarial accrued liability	\$ 855,771	\$ 839,768	\$ 888,476
Unfunded AAL	\$ 117,486	\$ 127,604	\$ 196,256
Funded ratio	86.27 %	84.80 %	77.91 %
Covered payroll	\$ 245,794	\$ 295,593	\$ 288,835
UAAL as a percentage of covered payroll	47.80 %	43.17 %	67.95 %

### **NOTE 12 - NET ASSETS PRIOR PERIOD ADJUSTMENT**

The entity wide net assets beginning balance was adjusted for the inclusion of infrastructure assets of \$869,780, accrued absences of \$17,671, and the Renaissance Zone Bond of \$439,362.

## Required Supplemental Information

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# Village of Howard City

Montcalm County, Michigan

General Fund

Balance Sheet

February 28, 2005

	2005	2004
<b>ASSETS</b>		
Cash	\$ 88,563	\$ 110,858
Due from other funds	78	2,234
<b>TOTAL ASSETS</b>	<b>\$ 88,641</b>	<b>\$ 113,092</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 5,618	\$ -
Due to other funds	-	4,915
Accrued wages payable	3,776	7,440
Payroll deductions payable	917	-
Deferred revenue	-	34,066
<b>TOTAL LIABILITIES</b>	<b>10,311</b>	<b>46,421</b>
<b>FUND BALANCES</b>		
Fund balance	78,330	66,671
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 88,641</b>	<b>\$ 113,092</b>



# Village of Howard City

Montcalm County, Michigan

General Fund

## Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended February 28, 2005 with comparative actual amounts for 2004

	Original budget	Final budget	Actual	Variance with final budget	2004
<b>REVENUES</b>					
Property Taxes					
Current real property taxes	\$ 196,800	\$ 191,922	\$ 191,922	\$ -	\$ 174,287
Penalties and interest on taxes	50	-	22	22	27
Property tax administration fee	2,260	2,678	2,678	-	2,453
<b>Total Property Taxes</b>	<b>199,110</b>	<b>194,600</b>	<b>194,622</b>	<b>22</b>	<b>176,767</b>
<b>Federal grants</b>	<b>-</b>	<b>270,514</b>	<b>304,580</b>	<b>34,066</b>	<b>-</b>
State Grants					
State revenue sharing	140,000	138,533	138,533	-	146,407
Other state grants	2,180	1,715	1,715	-	2,131
<b>Total State Grants</b>	<b>142,180</b>	<b>140,248</b>	<b>140,248</b>	<b>-</b>	<b>148,538</b>
Licenses and Permits					
Non-business licenses and permits	750	640	950	310	810
Fines and Forfeitures					
Fines and forfeitures	5,500	1,089	1,089	-	2,605
Charges for Services					
Services rendered	95,000	93,709	95,668	1,959	96,288
Sales	4,000	18,343	18,278	(65)	1,545
<b>Total Charges for Services</b>	<b>99,000</b>	<b>112,052</b>	<b>113,946</b>	<b>1,894</b>	<b>97,833</b>
Interest and Rentals					
Interest and dividends	200	219	879	660	386
Rent	400	2,600	2,600	-	2,400
<b>Total Interest and Rentals</b>	<b>600</b>	<b>2,819</b>	<b>3,479</b>	<b>660</b>	<b>2,786</b>
Other Revenue					
Reimbursements	2,872	3,166	3,166	-	2,170
Other	17,000	13,090	13,090	-	6,681
Contributions and donations	3,000	850	850	-	4,850
<b>Total Other Revenue</b>	<b>22,872</b>	<b>17,106</b>	<b>17,106</b>	<b>-</b>	<b>13,701</b>
<b>TOTAL REVENUES</b>	<b>470,012</b>	<b>739,068</b>	<b>776,020</b>	<b>36,952</b>	<b>443,040</b>

# Village of Howard City

Montcalm County, Michigan

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

February 28, 2005

	Original budget	Final budget	Actual	Variance with final budget	2004
<b>EXPENDITURES</b>					
General government					
Village Council	\$ 16,418	\$ 10,673	\$ 10,740	\$ (67)	\$ 8,562
Manager	63,151	24,146	65,839	(41,693)	46,116
Audit	900	1,700	1,700	-	900
Buildings and grounds	13,650	12,620	12,620	-	26,446
Attorney	12,000	18,820	24,438	(5,618)	9,220
Total General government	106,119	67,959	115,337	(47,378)	91,244
Public safety					
Police	195,393	202,817	197,099	5,718	186,990
Fire department	73,105	359,236	350,794	8,442	57,164
Total Public safety	268,498	562,053	547,893	14,160	244,154
Department of public works					
Department of public works	19,766	31,247	30,734	513	24,464
Sanitation	6,000	1,689	1,689	-	1,560
Total Department of public works	25,766	32,936	32,423	513	26,024
Recreation and culture					
Parks and recreation	16,990	15,811	12,886	2,925	20,360
Other governmental functions					
Insurance	40,000	38,141	38,141	-	39,735
<b>TOTAL EXPENDITURES</b>	<b>457,373</b>	<b>716,900</b>	<b>746,680</b>	<b>(29,780)</b>	<b>421,517</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>12,639</b>	<b>22,168</b>	<b>29,340</b>	<b>7,172</b>	<b>21,523</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	18,372	18,372	-
Transfers out	(29,000)	(49,500)	(36,053)	13,447	(29,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(29,000)</b>	<b>(49,500)</b>	<b>(17,681)</b>	<b>31,819</b>	<b>(29,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(16,361)</b>	<b>(27,332)</b>	<b>11,659</b>	<b>38,991</b>	<b>(7,477)</b>
<b>Fund balance at beginning of year</b>	<b>66,671</b>	<b>66,671</b>	<b>66,671</b>	<b>-</b>	<b>74,148</b>
<b>Fund balance at end of year</b>	<b>\$ 50,310</b>	<b>\$ 39,339</b>	<b>\$ 78,330</b>	<b>\$ 38,991</b>	<b>\$ 66,671</b>

# Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ 19,794	\$ 11,979
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Due to other funds	\$ -	\$ 6,155
<b><u>FUND BALANCES</u></b>		
Reserved for streets	19,794	5,824
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,794</b>	<b>\$ 11,979</b>

# Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

February 28, 2005

	Original and final budget	Actual	Variance with final budget	Prior year
<b>REVENUE</b>				
Michigan transportation fund	\$ 115,000	\$ 114,965	\$ 35	\$ 110,146
Interest and dividends	15	95	(80)	32
<b>TOTAL REVENUE</b>	<b>115,015</b>	<b>115,060</b>	<b>(45)</b>	<b>110,178</b>
<b>EXPENDITURES</b>				
Street construction	5,750	-	5,750	1,686
Street preservation	53,745	47,518	6,227	50,379
Traffic services	2,115	2,115	-	4,227
Winter maintenance	8,179	16,576	(8,397)	24,246
Administration and engineering	12,513	12,513	-	10,993
Miscellaneous	-	-	-	300
<b>TOTAL EXPENDITURES</b>	<b>82,302</b>	<b>78,722</b>	<b>3,580</b>	<b>91,831</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>32,713</b>	<b>36,338</b>	<b>(3,625)</b>	<b>18,347</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	1,500
Transfers out	(37,368)	(22,368)	15,000	(20,968)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(37,368)</b>	<b>(22,368)</b>	<b>15,000</b>	<b>(19,468)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,655)</b>	<b>13,970</b>	<b>11,375</b>	<b>(1,121)</b>
<b>Fund balance</b>	<b>5,824</b>	<b>5,824</b>	<b>-</b>	<b>6,945</b>
<b>Fund balance at end of year</b>	<b>\$ 1,169</b>	<b>\$ 19,794</b>	<b>\$ 11,375</b>	<b>\$ 5,824</b>

## **Nonmajor Governmental Funds**

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# Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Balance Sheet

February 28, 2005

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
	<u>Local Street Fund</u>	<u>Locally Raised Streets Fund</u>	<u>Street Bond Fund</u>
<b><u>ASSETS</u></b>			
Cash	\$ 13,798	\$ 37,802	\$ 9,336
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Due to other funds	\$ -	\$ -	\$ -
<b><u>FUND BALANCES</u></b>			
Reserved for			
Streets	13,798	37,802	-
Debt service	-	-	9,336
Capital projects	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>13,798</b>	<b>37,802</b>	<b>9,336</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,798</b>	<b>\$ 37,802</b>	<b>\$ 9,336</b>

Capital Project Funds			
Revolving Fund	Renaissance Grant Fund		Total
\$ -	\$ 188	\$	61,124
\$ -	\$ 78	\$	78
-	-		51,600
-	-		9,336
-	110		110
		110	61,046
\$ -	\$ 188	\$	61,124

# Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

February 28, 2005

	Special Revenue Funds		Debt Service Fund
	Local Street Fund	Locally Raised Streets Fund	Street Bond Fund
<b><u>REVENUE</u></b>			
Michigan transportation fund	\$ 47,307	\$ 64,569	\$ -
Metro act	6,948	-	-
Interest and dividends	12	89	20
<b>TOTAL REVENUE</b>	<b>54,267</b>	<b>64,658</b>	<b>20</b>
<b><u>EXPENDITURES</u></b>			
Public Works	52,185	39,085	-
Debt service	-	-	14,751
<b>TOTAL EXPENDITURES</b>	<b>52,185</b>	<b>39,085</b>	<b>14,751</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,082</b>	<b>25,573</b>	<b>(14,731)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	15,000	-	14,733
Transfers out	(7,365)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,635</b>	<b>-</b>	<b>14,733</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,717</b>	<b>25,573</b>	<b>2</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,081</b>	<b>12,229</b>	<b>9,334</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 13,798</b>	<b>\$ 37,802</b>	<b>\$ 9,336</b>



Capital Project Funds		
Revolving Fund	Renaissance Grant Fund	Total
\$ -	\$ -	\$ 111,876
-	-	6,948
44	-	165
44	-	118,989
49,878	-	141,148
-	-	14,751
49,878	-	155,899
(49,834)	-	(36,910)
43,753	-	73,486
(32,036)	-	(39,401)
11,717	-	34,085
(38,117)	-	(2,825)
38,117	110	63,871
\$ -	\$ 110	\$ 61,046

# Village of Howard City

Montcalm County, Michigan

Local Street Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ 13,798	\$ 9,272
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Due to other funds	\$ -	\$ 5,191
<b><u>FUND BALANCES</u></b>		
Fund balance	13,798	4,081
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,798</b>	<b>\$ 9,272</b>

# Village of Howard City

Montcalm County, Michigan

Local Street Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended February 28, 2005 with comparative actual amounts for 2004

	Original and final budget	Actual	Variance with final budget	2004
<b>REVENUE</b>				
Michigan transportation fund	\$ 47,000	\$ 47,307	\$ 307	\$ 44,684
Metro Act	6,948	6,948	-	1,604
Interest and dividends	11	12	1	11
<b>TOTAL REVENUE</b>	<b>53,959</b>	<b>54,267</b>	<b>308</b>	<b>46,299</b>
<b>EXPENDITURES</b>				
Street construction	-	-	-	598
Street preservation	43,706	37,686	6,020	36,486
Traffic services	47	47	-	427
Winter maintenance	2,651	7,553	(4,902)	10,118
Administration and engineering	6,899	6,899	-	4,396
<b>TOTAL EXPENDITURES</b>	<b>53,303</b>	<b>52,185</b>	<b>1,118</b>	<b>52,025</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>656</b>	<b>2,082</b>	<b>1,426</b>	<b>(5,726)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	(15,000)	15,000	30,000	17,000
Transfers out	(7,365)	(7,365)	-	(7,365)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(22,365)</b>	<b>7,635</b>	<b>30,000</b>	<b>9,635</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,709)</b>	<b>9,717</b>	<b>31,426</b>	<b>3,909</b>
<b>Fund balance beginning of year</b>	<b>4,081</b>	<b>4,081</b>	<b>-</b>	<b>172</b>
<b>Fund balance end of year</b>	<b>\$ (17,628)</b>	<b>\$ 13,798</b>	<b>\$ 31,426</b>	<b>\$ 4,081</b>

# Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ 37,802	\$ 12,229
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>FUND BALANCES</b>		
Fund balance	\$ 37,802	\$ 12,229

# Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended February 28, 2005 with comparative actual amounts for 2004

	Original and final budget	Actual	Variance with final budget	2004
<b>REVENUE</b>				
Taxes	\$ 64,569	\$ 64,569	\$ -	\$ 61,201
Interest and dividends	82	89	7	82
<b>TOTAL REVENUE</b>	<b>64,651</b>	<b>64,658</b>	<b>7</b>	<b>61,283</b>
<b>EXPENDITURES</b>				
Street construction	200	200	-	14,702
Street preservation	9,472	7,938	1,534	17,265
Administration and engineering	200	200	-	5,744
Street lighting	16,479	16,479	-	15,616
Capital outlay	17,118	14,268	2,850	-
<b>TOTAL EXPENDITURES</b>	<b>43,469</b>	<b>39,085</b>	<b>4,384</b>	<b>53,327</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>21,182</b>	<b>25,573</b>	<b>4,391</b>	<b>7,956</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	(4,900)
<b>NET CHANGE IN FUND BALANCES</b>	<b>21,182</b>	<b>25,573</b>	<b>4,391</b>	<b>3,056</b>
<b>Fund balance beginning of year</b>	<b>12,229</b>	<b>12,229</b>	<b>-</b>	<b>9,173</b>
<b>Fund balance end of year</b>	<b>\$ 33,411</b>	<b>\$ 37,802</b>	<b>\$ 4,391</b>	<b>\$ 12,229</b>

# Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ 9,336	\$ 9,334
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>FUND BALANCES</b>		
Fund balance	\$ 9,336	\$ 9,334

# Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2005 with comparative actual amounts for 2004

	2005	2004
<b>REVENUE</b>		
Interest and dividends	\$ 20	\$ 37
<b>EXPENDITURES</b>		
Principal	14,351	15,051
Fees	400	300
<b>TOTAL EXPENDITURES</b>	<b>14,751</b>	<b>15,351</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(14,731)</b>	<b>(15,314)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	14,733	14,733
<b>NET CHANGE IN FUND BALANCES</b>	<b>2</b>	<b>(581)</b>
<b>Fund balance beginning of year</b>	<b>9,334</b>	<b>9,915</b>
<b>Fund balance end of year</b>	<b>\$ 9,336</b>	<b>\$ 9,334</b>

# Village of Howard City

Montcalm County, Michigan

Revolving Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 35,373
Due from other funds	-	2,744
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 38,117</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>FUND BALANCES</b>		
Fund balance	\$ -	\$ 38,117



# Village of Howard City

Montcalm County, Michigan

Revolving Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2005 with comparative actual amounts for 2004

	2005	2004
<b>REVENUE</b>		
Interest and dividends	\$ 44	\$ 100
<b>EXPENDITURES</b>		
Audit	250	250
Attorney	-	524
Capital outlay	49,628	26,368
Principal	-	11,006
Interest	-	4,678
<b>TOTAL EXPENDITURES</b>	<b>49,878</b>	<b>42,826</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(49,834)</b>	<b>(42,726)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	43,753	37,400
Transfers out	(32,036)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>11,717</b>	<b>37,400</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(38,117)</b>	<b>(5,326)</b>
<b>Fund balance beginning of year</b>	<b>38,117</b>	<b>43,443</b>
<b>Fund balance end of year</b>	<b>\$ -</b>	<b>\$ 38,117</b>

# Village of Howard City

Montcalm County, Michigan

Renaissance Grant Fund

Balance Sheet

February 28, 2005

	2005	2004
<b><u>ASSETS</u></b>		
Cash	\$ 188	\$ 188
Due from other funds	-	4,900
<b>TOTAL ASSETS</b>	<b>\$ 188</b>	<b>\$ 5,088</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>LIABILITIES</b>		
Due to other funds	\$ 78	\$ 4,978
<b>FUND BALANCES</b>		
Fund balance	110	110
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 188</b>	<b>\$ 5,088</b>

# Village of Howard City

Montcalm County, Michigan

Renaissance Grant Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2005 with comparative actual amounts for 2004

	2005	2004
<b>REVENUE</b>		
Federal grants	\$ -	\$ 256,224
<b>TOTAL REVENUE</b>	-	256,224
<b>EXPENDITURES</b>		
Capital outlay	-	256,116
<b>TOTAL EXPENDITURES</b>	-	256,116
<b>NET CHANGE IN FUND BALANCES</b>	-	108
<b>Fund balance beginning of year</b>	110	2
<b>Fund balance end of year</b>	\$ 110	\$ 110

## Long-term Debt Schedules

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# Village of Howard City

Montcalm County, Michigan

Schedule of Bonded Debt

**\$516,000 Sewer System Revenue Bonds, Series 1986**

February 28, 2005

Year ended	Interest Rate	January 1 Principal	July 1 Interest	January 1 Interest	Total
2006	4.500%	\$ 21,000	\$ 945	\$ 945	22,890
2007	4.500%	21,000	473	473	21,946
Totals		\$ 42,000	\$ 1,418	\$ 1,418	44,836

# Village of Howard City

Montcalm County, Michigan

Schedule of Bonded Debt

\$585,000 Sewer System Revenue Bonds, Series 1994

February 28, 2005

Year ended February 29,	Interest Rate	April 1 Principal	April 1 Interest	October 1 Interest	Total
2006	4.500%	\$ 8,000	\$ 11,767	\$ 11,587	\$ 31,354
2007	4.500%	8,000	11,587	11,407	30,994
2008	4.500%	9,000	11,407	11,205	31,612
2009	4.500%	9,000	11,205	11,003	31,208
2010	4.500%	10,000	11,003	10,777	31,780
2011	4.500%	10,000	10,777	10,553	31,330
2012	4.500%	11,000	10,553	10,305	31,858
2013	4.500%	11,000	10,305	10,057	31,362
2014	4.500%	12,000	10,057	9,788	31,845
2015	4.500%	12,000	9,788	9,517	31,305
2016	4.500%	13,000	9,517	9,225	31,742
2017	4.500%	14,000	9,225	8,910	32,135
2018	4.500%	14,000	8,910	8,595	31,505
2019	4.500%	15,000	8,595	8,258	31,853
2020	4.500%	16,000	8,258	7,897	32,155
2021	4.500%	16,000	7,897	7,538	31,435
2022	4.500%	18,000	7,538	7,132	32,670
2023	4.500%	18,000	7,132	6,728	31,860
2024	4.500%	19,000	6,728	6,300	32,028
2025	4.500%	20,000	6,300	5,850	32,150
2026	4.500%	21,000	5,850	5,377	32,227
2027	4.500%	22,000	5,377	4,883	32,260
2028	4.500%	23,000	4,883	4,365	32,248
2029	4.500%	25,000	4,365	3,802	33,167
2030	4.500%	25,000	3,802	3,240	32,042
2031	4.500%	27,000	3,240	2,633	32,873
2032	4.500%	28,000	2,633	2,002	32,635
2033	4.500%	30,000	2,002	1,328	33,330
2034	4.500%	31,000	1,328	630	32,958
2035	4.500%	28,000	630	-	28,630
<b>Totals</b>	<b>\$</b>	<b>\$ 523,000</b>	<b>\$ 222,659</b>	<b>\$ 210,892</b>	<b>\$ 956,551</b>

# Village of Howard City

Montcalm County, Michigan

Schedule of Debt

**\$439,362 Renaissance Zone Loan**

February 28, 2005

Year ended February 29,	Interest Rate	Principal	Interest	Total
2006	0.000%	\$ 15,416	\$ -	\$ 15,416
2007	0.000%	30,832	-	30,832
2008	0.000%	30,832	-	30,832
2009	0.000%	30,832	-	30,832
2010	0.000%	30,832	-	30,832
2011	0.000%	30,832	-	30,832
2012	0.000%	30,832	-	30,832
2013	0.000%	30,832	-	30,832
2014	0.000%	30,832	-	30,832
2015	0.000%	30,832	-	30,832
2016	0.000%	30,832	-	30,832
2017	0.000%	30,832	-	30,832
2018	0.000%	30,832	-	30,832
2019	0.000%	30,832	-	30,832
2020	0.000%	23,130	-	23,130
Totals		\$ 439,362	\$ -	\$ 439,362

# Village of Howard City

Montcalm County, Michigan

Schedule of Bonded Debt

\$115,000 1997 Michigan Transportation Bonds

February 28, 2005

Year ended February 29,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2006	5.050%	\$ 13,000	\$ 1,075	\$ 747	14,822
2007	5.100%	14,000	747	390	15,137
2008	5.200%	15,000	390	-	15,390
Totals		\$ 42,000	\$ 2,212	\$ 1,137	45,349



# Village of Howard City

Montcalm County, Michigan

Schedule of Bonded Debt

**\$190,000 Water and Sewer System Revenue Bonds, Series 1997**

February 28, 2005

Year ended February 29,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2006	5.150%	\$ 30,000	\$ 3,915	\$ 3,143	\$ 37,058
2007	5.200%	30,000	3,143	2,363	35,506
2008	5.200%	30,000	2,363	1,583	33,946
2009	5.250%	30,000	1,583	795	32,378
2010	5.300%	30,000	795	-	30,795
Totals		\$ 150,000	\$ 11,799	\$ 7,884	\$ 169,683

# Village of Howard City

Montcalm County, Michigan

Schedule of Debt

**\$120,000 Fire Truck Installment Purchase Agreement**

February 28, 2005

Year ended February 29,	Interest Rate	Principal	Interest	Total
2006	5.190%	\$ 12,179	\$ 3,505	\$ 15,684
2007	5.190%	12,811	2,873	15,684
2008	5.190%	13,475	2,209	15,684
2009	5.190%	14,175	1,509	15,684
2010	5.190%	14,910	774	15,684
Totals		\$ 67,550	\$ 10,870	\$ 78,420

# Village of Howard City

Montcalm County, Michigan

## Schedule of Debt

### \$67,100 Backhoe Installment Purchase Agreement

February 28, 2005

Year ended February 29,	Interest Rate	Principal	Interest	Total
2006	3.500%	\$ 13,171	\$ 1,477	\$ 14,648
2007	3.500%	13,640	1,008	14,648
2008	3.500%	14,125	523	14,648
2009	3.500%	3,879	74	3,953
Totals		\$ 44,815	\$ 3,082	\$ 47,897

## AUDITORS' REPORTS

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## COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

We have audited the general purpose financial statements of Village of Howard City, Montcalm County, Michigan for the year ended February 28, 2005, and have issued our report thereon dated July 1, 2005. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

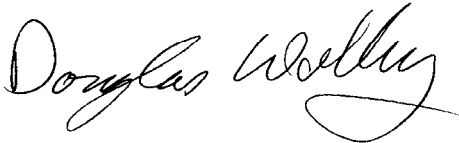
As part of our audit, we considered the internal control of Village of Howard City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Howard City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Howard City are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended February 28, 2005. We noted no transactions entered into by Village of Howard City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Village Village Council and management of Village of Howard City and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 1, 2005

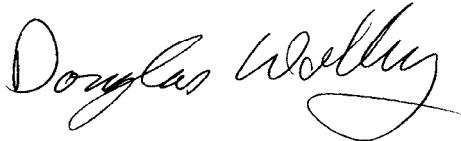
## MANAGEMENT COMMENTS LETTER

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Village of Howard City for the year ended February 28, 2005 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 1, 2005 on the financial statements of Village of Howard City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations



Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 1, 2005

# **MANAGEMENT COMMENTS LETTER**

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

Page 2

## **Prior comments and suggestions**

We had no comments for the year ended February 29, 2004.

## **Current comments and suggestions**

1. The capture of property taxes for the Downtown Development Authority have not been calculated properly. I recommend that Village personnel be trained in this area and work with the Assessor and the County Treasurer to ensure that future property tax collections and captures are correct.
2. The Equipment Fund charges rent for equipment usage by other funds. This is currently accounted for by hand. This could be accomplished more quickly and more accurately using a computerized bookkeeping program such as QuickBooks.
3. I recommend that the Village Council implement appropriate data backup policies and procedures for backing up all computer data and applications.
4. \$600 was paid to various employees from an account named "Manager's Incentives". The Village is not legally allowed to compensate employees in this manner. I recommend that the Village discontinue this practice.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

We have audited the general purpose financial statements of Village of Howard City, Montcalm County, Michigan as of and for the year ended February 28, 2005, and have issued our report thereon dated July 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

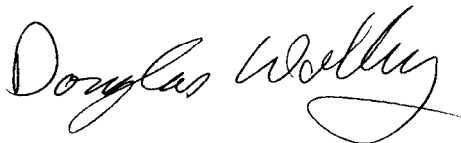
**Compliance**

As part of obtaining reasonable assurance about whether Village of Howard City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Howard City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 1, 2005